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17 Attorneys for *CALIFORNIA SELF-INSURERS'*
18 *SECURITY FUND*

19 UNITED STATES BANKRUPTCY COURT
20
21 NORTHERN DISTRICT OF CALIFORNIA

22 In re:

23 PG&E CORPORATION

24 Debtor.

25 Tax I.D. No. 94-0742640

26 In re:

27 PACIFIC GAS AND ELECTRIC
28 COMPANY

Debtor.

Tax I.D. No. 94-0742640

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Case No. 19-30088

Chapter 11

**STATEMENT AND RESERVATION
OF RIGHTS OF THE CALIFORNIA
SELF-INSURERS' SECURITY FUND
REGARDING THE DIP MOTION
AND ENTRY OF THE PROPOSED
INTERIM DIP ORDER**

California Self-Insurers' Security Fund (the "Fund"), by and through its counsel, Nixon
Peabody LLP, hereby files this statement (the "Statement") regarding the *Motion of Debtors*
Pursuant to 11 U.S.C. §§ 105, 362, 363, 364, 503 and 507, and Fed. R. Bankr. P. 2002, 4001,

1 6003, 6004 and 9014 For Interim and Final Orders (I) Authorizing the Debtors to Obtain Senior
2 Secured, Superpriority, Postpetition Financing, (II) Granting Liens and Superpriority Claims,
3 (III) Modifying the Automatic Stay, (IV) Scheduling Final Hearing and (V) Granting Related
4 Relief [Docket No. 23] (the “DIP Motion”) with respect to the proposed Interim DIP Order.¹ In
5 connection therewith, the Fund respectfully states as follows:
6

7 **Statement**

8 Prior to the Petition Date, Pacific Gas and Electric Company and certain affiliates (the
9 “Debtors”) elected to self-insure their workers' compensation obligations under California law.

10 Section 3701 of the California Labor Code requires self-insured employers to deposit
11 security for their obligations in the form of either a surety bond issued in favor of the Department
12 of Industrial Relations for the State of California (the “Department”), cash or marketable
13 securities, or an irrevocable letter of credit. The amount of the security to be posted by the self-
14 insured employer is determined by, and may be increased or decreased from time to time by, the
15 Department.
16

17 On January 16, 2019, prior to the Petition Date, the director of the Office of Self-
18 Insurance Plans (an office of the Department) sent to the Debtors a demand for the posting of
19 additional collateral in accordance with Section 3701 of the California Labor Code (the
20 “Demand”). To date, the Debtors have not posted the additional collateral.
21

22 As a result of and immediately effective upon and contemporaneous with the Demand, the
23 Fund obtained a valid and perfected lien on the Debtors’ assets pursuant to Section 3701(k) of the
24 California Labor Code (the “Fund Lien”).

25 The Fund has been engaged in discussions with the Debtors to address the Fund’s
26 concerns regarding the treatment of the Fund Lien, and its cash collateral thereunder, as proposed
27

28 ¹ Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the DIP Motion.

1 in the Interim DIP Order. As a result of those discussions, the Fund believes it has reached an
2 agreement in principal concerning language to be included in the proposed Interim DIP Order to
3 address those concerns.

4 By and through this Statement, the Fund expressly reserves its right to object to the DIP
5 Motion with respect to entry of the proposed Interim DIP Order in the event the Debtors and the
6 Fund fail to agree on final language or the Debtors or the Court further modify the Interim DIP
7 Order in a way that adversely impacts the Fund, the Fund Lien and its cash collateral thereunder.²
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27 ² Nothing herein shall be construed to constitute a waiver of the Fund's right to object to any proposed final relief
28 with respect to the DIP Motion.

1 DATED: January 31, 2019

NIXON PEABODY LLP

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3 By: /s/ Robert N.H. Christmas
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